



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: October 23, 2007
TO: Mayor and Councilmembers
FROM: Business & Property Division, Airport Department
SUBJECT: 2007-2008 Airline Rates And Charges

RECOMMENDATION: That Council approve the 2007-2008 airline rates and charges, including airline landing fees of \$1.98 per thousand pounds of gross landed weight, and the Airline Terminal annual building square footage rental rate of \$66.81, for all commercial air carrier operations at Santa Barbara Airport, effective October 1, 2007, through September 30, 2008.

DISCUSSION:

The airlines serving Santa Barbara Airport operate under annual Airline Operating Permits rather than Lease Agreements. The Operating Permit establishes rental rates for airline terminal space and landing fees.

On September 10, 2007, a detailed letter including supporting financial documents pertaining to the calculation of the proposed fees was mailed to all airlines serving Santa Barbara Airport. When establishing these fees, the goal is to recover the costs of operations. The Airport uses a modified compensatory method identifying all direct expenses associated with airline service and facilities, but does not include the cost of administration or other overhead expenses.

Airline Terminal

To calculate the square footage rate for the Airline Terminal, all direct costs were used, including: utilities, custodial services, building maintenance, building improvements, and security. Each cost center reflects an increase in cost.

Utilities are 8% higher than 2006-07 due to electrical costs associated with the air conditioning units in both boarding gate areas. Custodial expenses have increased 9% due to salary and benefit adjustments, addition of a part-time position, and an increase in janitorial supplies for "green" products. Building maintenance has increased 3.2% and a new line item to amortize capital improvements has been added for those improvements not meeting the maintenance and repair definition. Security costs include the Transportation Security Administration reimbursement and are 4% higher than the previous year.

REVIEWED BY: _____ Finance _____ Attorney

Agenda Item No. _____

The costs for employee parking and shuttle, \$283,199, were removed from the Airline Terminal square footage cost calculation and at the request of the airline representatives, this cost will be reimbursed to the Airport on an actual cost per day per employee at a rate of \$3.45.

The total costs to be reimbursed for the Airline Terminal are \$1,462,440 or 5.4% higher than the prior year's costs for the same categories. The 2007-2008 annual square footage rate for the Airline Terminal is \$66.81.

Landing Fee

Landing fee calculations include the historical cost centers for Aircraft Rescue and Fire Fighting services, Airport Patrol, Noise Abatement, and Airfield Maintenance. Total costs related to the airfield are \$2,738,935 which is 5.5% higher than the previous year of \$2,595,428. The portion allocated to the airlines is \$1,280,180 and is based on a proportionate division of each of the categorical costs. In an effort to keep the costs down, each cost center has been evaluated and adjustments made to shift appropriate costs to general aviation.

An integral part of the landing fee formula is the number of proposed flights and type of equipment to be used for the coming year. Prior year actual aircraft landing reports are evaluated. Based on historical levels, assumptions are made regarding air service for the coming year. The types of aircraft, gross landed weights, and number of landings for the period July 2006 to June 2007 are used for the calculation. Landed weights for airfreight and charter operations are also included.

The total reimbursable costs are divided by the projected landed weight based on historical levels and current flight schedules, resulting in a proposed landing fee of \$1.98 per thousand pounds of gross landing weight. This rate reflects a 2% increase from the previous year's rate of \$1.96.

Airline Consultation

Discussions were held with the airline representatives to review the costs and answer questions on the actual expenditures. At the request of the airlines, the employee parking and shuttle costs were removed from the Airline Terminal square footage rate, and the actual cost will be reimbursed based on a per employee basis. The airline representatives expressed appreciation for the way in which the Airport continued to work on containing costs.

The Airport Commission recommends approval.

PREPARED BY: Hazel Johns, Assistant Airport Director

SUBMITTED BY: Karen Ramsdell, Airport Director

APPROVED BY: City Administrator's Office